

# More Thoughts on Fraud

by Colonel Martha M. Beatty

**F**raud has risen to the very top of the concern list in the financial management community over the past few months. It is a serious matter and not enough can be said about prevention.

In August and September of this year two General Accounting Office (GAO) reports were issued which addressed vendor pay controls and procurement fraud. The cases discussed amount to over \$5 million in fraudulent payments. It is disturbing to think that such a large amount of money was improperly disbursed and even more disturbing to think about the mission requirements that were not met because this money wasn't available.

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How does fraud happen? What can we do to eliminate it? These are good questions and they deserve a lot of thought. Probably the most important thing that can be done is to ensure strong leadership is brought to bear and adequate internal controls exist. When it is well known and understood that management will not tolerate fraud, that punishment will be severe, and that an oversight program is in place to prevent it, people will be discouraged from attempting things they shouldn't be doing. Strong leadership and management means creating an environment in which everyone understands the rules and regulations, the importance of following them, and the consequences of not following them. Further, it means that management is using available tools to conduct reviews, validate files, and reconcile data to ensure the database is accurate and current, that payments are properly supported, and that regulations are followed. When we get into the business of allowing deviations and exceptions we get into trouble.

The current focus on fraudulent activity has prompted a review of business practices. Let's take, for example, the practice of allowing dual access to the Integrated Accounts Payable System (IAPS) and the General Accounting and Finance System (GAFS/BQ) and the supervisor and sub-supervisor access in IAPS. We all know, if we take time to think it through, allowing dual access circumvents the checks and balances that should be built into the system. Similarly, allowing supervisor and sub-supervisor access grants the holder of that authority a great deal of latitude to make changes within the system. This level of authority and access is granted with the very best of intentions: to get the job done, meet payment schedules, avoid interest payments, and take advantage of all discounts offered. And, of course, in the downsized environment there are no longer sufficient numbers of people available to do all the required tasks, so short-

cuts are taken. Unfortunately, the result can be disastrous. This is what is driving the current emphasis on separation of duties. When one person has access to all parts of the accounting and payment process, the door is opened to wrongdoing.

Another important point is the validation of accounting data. If a thorough job is done in reviewing the daily IAPS and ATRAS products and the periodic validation of the Open Document List is thoroughly accomplished, much of the opportunity for fraud will be eliminated. Why? Because dormant files will be eliminated and information in the files will be reviewed for validity. Improper adjustments and expenses should be identified during such reviews, questions raised, and research conducted. That is the purpose of having these products—and they need to be used as they were intended.

What can we do? Very simply, get back to the basics. First, everyone in the organization must understand the importance of accurate, complete financial data and its impact on the mission. Second, everyone must understand their part in the process, how it affects other parts of the process, and why each step is important. Finally, there must be an understanding of the necessity for separation of functions and the importance of checks and balances in the system. To this end, SAF/FM has provided a scripted briefing to FMs to be given to all those involved in financial management. It is designed to enhance awareness and emphasize the need for strong internal controls and management oversight of processes. Be sure you hear this briefing and, if something isn't clear, ask questions.

Each person in the financial management business, from the resource advisor, to the commander, to those of us in the FM organization, at whatever level, has a responsibility to provide proper stewardship of the funds entrusted to us. Therefore, we must pay careful attention to the processing of any actions affecting those funds. It is a big job and an important one. Failing to do the job correctly can mean that funds are needlessly reserved and unavailable for use to meet other requirements. For example, double counting of obligations for IMPAC card purchases at one installation resulted in over \$500,000 being needlessly obligated. Correcting the error made half a million dollars immediately available for other use. Overestimating travel costs is another area where tightening procedures to make better estimates can free up funds for other requirements.

It goes without saying that it is important, especially in times when funding is limited, to ensure every dollar is used wisely, that accounting is done correctly, and that no money is lost through fraud and waste. Most of us have heard the old adage “an ounce of prevention is worth a pound of cure.” That is exactly the case in fraud prevention; it is much better to invest in the prevention of it than to have to correct the problems that one incident creates. Think about it!



## About the Author

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